Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: October 8, 2013

To: Council Member Lisa Goodman, Community Development Committee

Subject: Prospect Park LRT Station Phased Development Plan for Purpose of Utilizing SAC Credits.

Recommendation: It is recommended that the City Council: a) approve the attached Prospect Park LRT Station Phased Development Plan and find that it is consistent with the Comprehensive Plan, and b) authorize staff to submit the Plan to the Metropolitan Council Environmental Services for its approval.

Previous Directives: None regarding a Phased Development Plan for the Prospect Park LRT Station Project. In 2008, the City Council approved Phased Development Plan for the Heritage Park Redevelopment.

Prepared by: Bob Lind, 673-5068
Approved by: Charles T. Lutz, Deputy Director CPED
Catherine A. Polasky, Director, Economic Development
Presenters in Committee: Bob Lind
Funding Source and Appropriation
Language Reviewed by Development Finance: N.A.

Reviews

- Permanent Review Committee (PRC): Approval N.A.

Financial Impact

- Other financial impact: No direct financial impact as a result of Phased Development Plan approval. In the future, the availability of SAC credits may reduce the need for City financial assistance to make development projects in the plan area feasible.
- **Community Impact**
- Neighborhood Notification: Notification has been made to the following three neighborhood organizations: Prospect Park/E. River Road Improvement Association, Marcy-Holmes Neighborhood Association and the Southeast Como Improvement Association.
- City Goals: Approval of the proposed Phased Development Plan will help achieve the Jobs and Economic Vitality goal (e.g., by encouraging proactive business development in

key growth areas) and the Livable Communities, Healthy Lives goal (e.g., by encouraging additional housing, including affordable housing, near a LRT station).

- Comprehensive Plan: The City Planning Commission has been asked to concur that the development proposed in the Phased Development Plan is in compliance with city's comprehensive plan, *The Minneapolis Plan*. This will be considered at the October 3, 2013 meeting of the Planning Commission Committee of the Whole, and staff expects that the CPC will concur.
- Zoning Code: Not applicable at this time.

Supporting Information:

This report recommends the approval of a Phased Development Plan (as defined and authorized by the Metropolitan Council Environmental Services) for an area around the Prospect Park LRT Station. This tool will allow Surly Brewing to utilize the SAC credits that exist on its site over a period of years and also will allow SAC credits beyond what Surly needs to be used to facilitate other complementary development in the adjacent area.

Background on Phased Development Plans

Metropolitan Council Environmental Services (MCES) was created in 1969 with mandates to provide service for the rapidly growing population in the Twin Cities Metropolitan area and to clean up the area's rivers and lakes. The Sewer Availability Charge (SAC) system for paying for reserved wastewater conveyance and treatment capacity was instituted in 1973. The SAC is a one-time fee imposed by MCES on local government units for each new connection or increase in volume discharged to the metropolitan wastewater disposal system. The regional SAC rate is periodically set by Metropolitan Council action and for 2013 one SAC unit is equal to $2,435.

As part of the Metropolitan Council's SAC Procedure Manual (which is updated annually), cities are authorized to create Phased Development Plans (PDP) to carry out comprehensive redevelopment initiatives in defined contiguous areas with multiple properties over an extended period of time and to use SAC credits within that area (in effect, creating a pool of credits). The City of Minneapolis has done extensive work in the Prospect Park/E. River Road area around facilitating transit-supportive redevelopment and mixed-use housing, commercial and industrial redevelopment, all of which is supported through the following master plans:

1. Southeast Minneapolis Industrial (SEMI) Master Plan – 2001
2. University Avenue S.E. and 29th Avenue S.E. Development Objectives and Design Guidelines – 2007
3. Stadium Village University Avenue Station Area Plan – 2012

In order to advance the transit-supportive and mixed-use redevelopment of the area as detailed in the above plans, the City of Minneapolis has an opportunity to create a PDP as one economic development tool to encourage and advance redevelopment of and around the Surly Brewing project site. The last (and only other) time such a PDP was submitted to MCES by the City of Minneapolis was with the Heritage Park Redevelopment Project.

Phased Development Plan submittals consist of six items:

1. List of all properties involved in the phased development plan
2. List of the subject properties' potential SAC credits
3. Narrative describing the type of development planned for the site
4. Timeline for phased development site for each area and phase
5. Map showing the phased development site and the properties involved
6. Copy of approval from City Council and Planning Commission that the phased development plan is consistent with approved Comprehensive Plan

An Opportunity

The discussion of a possible PDP started with Surly Brewing and its selection of a Minneapolis site for its planned destination brewery. The Malcolm Midway site at Malcolm Ave. S.E. and 5th St. S.E. was the former Michael Foods/Northern Star Co. for many years. Based upon a review of the history of the site, it is expected that a MCES credit determination will result in about 1,600 grandfathered SAC credits for that site. Surly Brewing will build a destination brewery in multiple phases. The first phase will include a total of about 50,000 sq. ft. of new construction, with a 28-30,000 sq. ft. brewery and the remainder devoted to a beer hall/taproom, office, retail and space for a restaurant and event space. The first phase will also include a large outdoor beer garden. One or more later phases will include expansion of the brewery by up to about 50,000 sq. ft.

Under current MCES procedures Surly would have five years to use the grandfathered SAC credits on their site. Because these are grandfathered credits, any excess net credits not used within that five years would expire and would not be of use to Surly to build later phases, to the City or to any other development.

In addition to Surly, there are several sites in the surrounding vicinity for which developers are actively pursuing development and/or that are primed for development that will achieve the goals of the City's extensive planning for the Prospect Park LRT station area. The attached Prospect Park LRT Station Phased Development Plan document lists these parcels, illustrates their locations on a map and describes the anticipated developments and their possible timing.

A Phased Development Plan will enable the City of Minneapolis to reserve SAC credits beyond the five-year window for Surly's use and to allocate credits to any redevelopment project within the defined boundaries of the PDP for the period of time specified in the PDP.

Based on the prior uses on the various properties as defined in the proposed Prospect Park LRT Station Phased Development Plan, it is our best estimate that a total of upwards of 1,700 SAC credits could be made available to redevelopment projects in the PDP area for a proposed period of twenty-two (22) years (2013-2035). The final determination of the number of available SAC credits will be made by MCES as part of the approval of the PDP and the accompanying credit determination process.

Except for future phases of Surly's development, inclusion of a property in the PDP area will not automatically provide SAC credits to new development beyond the SAC credits already associated with that specific property. A future action by the City Council will be needed to formally allocate credits to the development in question. In deciding whether to allocate any of the pooled credits to a particular eligible development, the City Council would want to consider:

- The extent to which the proposal achieves the goals of the Minneapolis Comprehensive Plan and approved small area plans;
- Whether the availability of such credits will make a financially challenged, but desirable development financially feasible;
- The extent to which the proposed project also is making investments that will benefit the overall area, such as streetscaping and/or contributions to public improvements of general benefit; and
- In deciding whether to make such allocations, the Minneapolis City Council also will give priority to reserving sufficient credits to accommodate all phases of Surly's development on the Malcolm Midway property.

Approval of the Phased Development Plan gives the City the opportunity to not only support Surly's use of the credits associated with the site it purchased, but also to encourage

compatible development in the area around the LRT station and Surly's development. If the PDP is not approved, any credits not used by Surly within the first five years will expire.

Attachments: Prospect Park LRT Station Phased Development Plan and Map of Phased Development Plan area.